

## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE ARKANSAS ECONOMY

The importance of small business to the state of Arkansas is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

**Number of Businesses** - In 1997, Arkansas had 58,526 businesses with employees; 97.3 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 115,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners rose 2.1 percent to \$3.6 billion in 1997, while wage-and-salary income rose 5.2 percent. The state also exported \$2.2 billion of goods in 1997. (In 1992, 65.3 percent of the exporters in the state were small businesses.)

**Women-Owned Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 67,900 women-owned businesses in Arkansas, including part-time firms, employing 141,100 people and generating \$15.5 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 76.0 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 30.6 percent from 1987 to 1992, totaling 5,738 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 116.4 percent during the same time period with 701 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 658 in 1987, to 1,214 in 1992, representing an 84.5 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms decreased 18.3 percent, while new business incorporations increased 16.4 percent. Financial difficulties leading to business bankruptcies increased by 10.9 percent and business failures increased by 11.1 percent.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Arkansas decreased from 257 in 1994 to 234 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
CADDO FIRST NB	Glenwood
MERCHANTS & PLANTERS BK	Newport
BANK OF YELLVILLE	Yellville
BANK OF SALEM	Salem
BANK OF STAR CITY	Star City
DIAMOND STATE BK	Murfreesboro
BANK OF POCAHONTAS	Pocahontas
BANK OF EUREKA SPRINGS	Eureka Springs
UNION BK OF BENTON	Benton
MALVERN NB	Malvern
FIRST NB IN MENA	Mena
FIRST NB	Searcy
FIRST NB OF FORT SMITH	Fort Smith
MERCANTILE BK OF AR	North Little Rock

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

**Job Growth** - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	38,237	21,774	13,626	6,961	(4,028)	76,570
Manufacturing	897	2,236	1,843	1,566	(4,344)	2,199
Retail Trade	7,517	4,650	3,213	1,989	(3,075)	14,292
Services	20,138	9,077	6,706	3,663	8,477	48,061
Other	9,685	5,811	1,864	(258)	(5,085)	12,018

**Industries** - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in Arkansas, followed by Eating & Drinking Places. The fastest growing

industry for small business is Transportation By Air (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	891,147	100.0	51.0
Health Services	8000	99,162	11.1	44.2
Eating & Drinking Places	5800	59,120	6.6	70.5
Food & Kindred Products	2000	54,262	6.1	7.7
Business Services	7300	49,064	5.5	36.2
General Merchandise Stores	5300	39,965	4.5	1.6

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	454,554	100.0	51.0
Health Services	8000	43,828	11.1	44.2
Eating & Drinking Places	5800	41,703	6.6	70.5
Special Trade Contractors	1700	23,675	2.8	95.1
Wholesale Trade - Durable Goods	5000	20,650	3.0	77.3
Auto. Dealers & Gas Service Stations	5500	19,771	2.6	86.4

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	454,554	21,730	4.8
Transportation By Air	4500	1,421	427	30.0
Paper & Allied Products	2600	1,649	289	17.5
Elec. Equip. & Components Except Compt.	3600	3,449	508	14.7
Transportation Equipment	3700	2,714	380	14.0
Miscellaneous Repair Services	7600	2,966	402	13.6

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.